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*Special Regulatory Counsel to Debtors
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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re

PG&E CORPORATION,

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric Company
☒ Affects both Debtors

** All papers shall be filed in the Lead Case,
No. 19-30088 (DM).*

Bankruptcy Case
No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

**SUPPLEMENTAL APPLICATION OF
DEBTORS PURSUANT TO 11 U.S.C.
§ 327(E) AND FED. R. BANKR. P. 2014(A)
AND 2016 FOR AN ORDER AMENDING
THE SCOPE OF THE RETENTION OF
MORRISON & FOERSTER LLP AS
SPECIAL REGULATORY COUNSEL
FOR THE DEBTORS EFFECTIVE AS OF
THE PETITION DATE**

[No Hearing Requested]

1 PG&E Corporation (“**PG&E Corp.**”) and Pacific Gas and Electric Company (the
2 “**Utility**”), as debtors and debtors in possession (collectively, “**PG&E**” or the “**Debtors**”) in the
3 above-captioned chapter 11 cases (the “**Chapter 11 Cases**”), hereby submit this Supplemental
4 Application (the “**Supplemental Application**”), pursuant to section 327(e) of title 11 of the United
5 States Code (the “**Bankruptcy Code**”) and Rules 2014(a) and 2016 of the Federal Rules of
6 Bankruptcy Procedure (the “**Bankruptcy Rules**”), for entry of an order amending the scope of the
7 Debtors’ retention of Morrison & Foerster LLP (“**Morrison & Foerster**” or the “**Firm**”) as special
8 regulatory counsel to the Debtors effective as of the Petition Date (as defined below).

9 In support of this Supplemental Application, the Debtors submit the Supplemental
10 Declaration of Joshua Hill Jr., a member of the Firm (the “**Supplemental Hill Declaration**”), filed
11 concurrently herewith. A proposed form of order approving the retention and employment of
12 Morrison & Foerster is annexed hereto as **Exhibit A** (the “**Proposed Order**”).

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. JURISDICTION**

3 The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334,
4 the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24
5 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court
6 for the Northern District of California (the “**Bankruptcy Local Rules**”). This is a core proceeding
7 pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408
8 and 1409.

9 **II. BACKGROUND AND INITIAL RETENTION OF MORRISON & FOERSTER**

10 On January 29, 2019 (the “**Petition Date**”), the Debtors commenced with the Court
11 voluntary cases under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their
12 businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and
13 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in either of the Chapter
14 11 Cases. The Debtors’ Chapter 11 Cases are being jointly administered for procedural purposes
15 only pursuant to Bankruptcy Rule 1015(b).

16 On February 12, 2019, the United States Trustee (the “**U.S. Trustee**”) appointed an Official
17 Committee of Unsecured Creditors (the “**Creditors Committee**”). On February 15, 2019, the U.S.
18 Trustee appointed an Official Committee of Tort Claimants (the “**Tort Claimants Committee**”
19 and, together with the Creditors Committee, the “**Committees**”).

20 Additional information regarding the circumstances leading to the commencement of the
21 Chapter 11 Cases and information regarding the Debtors’ businesses and capital structure is set
22 forth in the *Amended Declaration of Jason P. Wells in Support of the First Day Motions and Related*
23 *Relief* [Docket No. 263] (the “**Wells Declaration**”).

24 On May 22, 2019, the Debtors filed the *Application of Debtors Pursuant to 11 U.S.C.*
25 *§ 327(e) and Fed. R. Bankr. P. 2014(a) and 2016 for Authority to Retain and Employ Morrison &*
26 *Foerster LLP as Special Regulatory Counsel for the Debtors Effective as of the Petition Date*
27 [Docket No. 2193] (the “**Initial Application**”). The Initial Application sought the entry of an order
28 authorizing the Debtors to retain Morrison & Foerster as special regulatory counsel in connection

1 with certain ongoing investigations by the Safety and Enforcement Division of the CPUC
2 (collectively, the “**Special Counsel Matters**”).

3 On June 12, 2019, the Court entered an order approving the retention of Morrison &
4 Foerster to advise the Debtors with respect to the Special Counsel Matters. *See* Docket No. 2502
5 (the “**Initial Retention Order**”).

6 As described in greater detail in the *Declaration of Joshua Hill, Jr. in Support of Application*
7 *of Debtors Pursuant to 11 U.S.C. § 327(a) and Fed. R. Bank. P. 2014(a) and 2016 for Authority to*
8 *Retain and Employ Morrison & Foerster LLP as Special Regulatory Counsel for the Debtors*
9 *Effective as of the Petition Date* [Docket No. 2194] (the “**Initial Hill Declaration**,” and along with
10 the Supplemental Hill Declaration, the “**Hill Declarations**”), the Debtors’ post-petition retention
11 of Morrison & Foerster is governed by a prepetition engagement letter and related Master Services
12 Agreement (together, the “**Engagement Letter**”), attached to the Initial Hill Declaration as
13 Exhibit A. In addition to providing services related to the Special Counsel Matters, the Engagement
14 Letter also contemplates that, from time to time, Morrison & Foerster may also advise—and
15 historically has advised—the Debtors with respect to certain capital markets, corporate governance,
16 and executive compensation matters as well.

17 Morrison & Foerster has determined that certain of the services it has provided to the
18 Debtors are—although within the scope of the Engagement Letter—beyond the scope of the Special
19 Counsel Matters. Further, and subsequent to the entry of the Initial Retention Order, the Debtors
20 have requested that Morrison & Foerster provide certain additional services outside of the scope of
21 the Special Counsel Matters. The Debtors submit this Supplemental Application for entry of an
22 order authorizing the Debtors to retain Morrison & Foerster to provide such supplemental services.

23 **III. SCOPE OF SUPPLEMENTAL RETENTION**

24 Subject to further order of this Court, it is proposed that Morrison & Foerster be employed
25 pursuant to the Engagement Letter to render the following professional services (the
26 “**Supplemental Matters**”):

- 27 a. preparing memoranda analyzing compensation, corporate, and labor
28 law considerations relating to the PG&E Corp. and Utility Executive
Incentive Compensation Recruitment Policy;

- b. formulating strategy and providing general legal advice with respect to executive compensation policies;
- c. advising the Debtors with respect to regulatory disclosures, corporate governance, and the Debtors' corporate form; and
- d. performing all other necessary legal services in connection with the foregoing; *provided, however*, that to the extent Morrison & Foerster determines that such services fall outside of the scope of services historically or generally performed by Morrison & Foerster as special regulatory counsel, Morrison & Foerster will file a supplemental declaration.

It is necessary for the Debtors to employ attorneys to render the forgoing services. Morrison & Foerster has stated its desire and willingness to act in these cases and render these services as attorneys for the Debtors, and provided similar services pursuant to the Engagement Letter prior to the Petition Date. Therefore, the Debtors seek to expand the scope of Morrison & Foerster's retention.

IV. NO DUPLICATION OF SERVICES

In addition to this Application, the Debtors have retained: (i) Weil Gotshal & Manges LLP, as lead bankruptcy counsel, (ii) Keller & Benvenuti LLP, as co-bankruptcy counsel, (iii) Cravath, Swaine & Moore LLP, as corporate counsel ("**Cravath**"), (iv) Munger, Tolles & Olson LLP, as regulatory counsel, (v) Lazard Frères & Co. LLC, as investment banker, (vi) AP Services, LLP, to provide a chief restructuring officer, deputy chief restructuring officer, and other personnel, (vii) Prime Clerk, LLC, as claims and noticing agent, and (viii) Groom Law Group, Chartered ("**Groom**"), as special employee benefits counsel. The Debtors may also file applications to employ additional professionals. Rather than resulting in any extra expense to the Debtors' estates, it is anticipated that the efficient coordination of efforts of the Debtors' attorneys and other professionals will greatly add to the progress and effective administration of these Chapter 11 Cases.

As described in the Hill Declarations, Morrison & Foerster will only advise the Debtors with respect to the Special Counsel Matters and the Supplemental Matters. The scope of Morrison & Foerster's engagement with respect to the Special Counsel Matters is described in detail in the Initial Hill Declaration. Further, the management compensation matters and other Supplemental

1 Matters for which Morrison & Foerster has been retained is separate from the general corporate
2 work that Cravath performs. In addition, Morrison & Foerster has coordinated—and intends to
3 continue coordinating—with Cravath (as well as the other professionals in these Chapter 11 Cases)
4 to ensure a clear delineation of each firm’s respective roles to prevent duplication of services and
5 ensure the cases are administered in the most efficient fashion possible.

6 The management compensation work for which Morrison & Foerster has been retained—
7 which is limited to advising the Debtors with respect to their executive and management
8 compensation programs—is distinct from the work being performed by Groom. In particular,
9 Groom provides legal services to the Debtors with respect to their pension and employee benefit
10 plans, and advises the Debtors on issues relating to the Debtors’ obligations under ERISA, the
11 Internal Revenue Code, and other applicable labor laws and regulations, all of which are beyond
12 the scope of the Special Counsel Matters and the Supplemental Matters. Nonetheless, to the extent
13 that any overlap may arise between the scope of the work performed by Morrison & Foerster and
14 Groom, Morrison & Foerster intends to coordinate with Groom to prevent the duplication of
15 services.

16 **V. MORRISON & FOERSTER’S DISINTERESTEDNESS**

17 To the best of the Debtors’ knowledge, the partners of, counsel to, and associates of
18 Morrison & Foerster do not have any connection with or any interest adverse to the Debtors, their
19 creditors, or any other party in interest with respect to the Special Counsel Matters or the
20 Supplemental Matters. In addition, to the best of the Debtors’ knowledge, and based on the Hill
21 Declarations, Morrison & Foerster does not have any connection with any creditor or other party
22 in interest, except as may be set forth in the Hill Declarations.

23 Based upon the information set forth in the Hill Declarations, Morrison & Foerster is
24 therefore qualified to serve as counsel to the Debtors pursuant to Bankruptcy Code section 327(e).
25 *See In re AroChem Corp.*, 176 F.3d 610, 622 (2d. Cir. 1999) (“[W]here the trustee seeks to appoint
26 counsel only as ‘special counsel’ for a specific matter, there need only be no conflict between the
27 trustee and counsel’s creditor client with respect to the specific matter itself.”) (quoting *Stombous*
28 *v. Kilimnik*, 988 F.2d 949, 964 (9th Cir. 1993)) (internal quotations omitted).

1 The Debtors have been informed that Morrison & Foerster will conduct an ongoing review
2 of its files to ensure that no disqualifying circumstances arise. If any new relevant facts or
3 relationships are discovered, Morrison & Foerster will supplement its disclosure to the Court.

4 **VI. PROFESSIONAL COMPENSATION**

5 As set forth in the Hill Declarations, for the 90 days prior to the Petition Date, Morrison &
6 Foerster received payments and advances in the aggregate amount of \$280,521.63 for professional
7 services performed and to be performed, and expenses incurred and to be incurred in connection
8 therewith. Morrison & Foerster did not receive an advance payment retainer from the Debtors, and
9 all amounts collected were in connection with invoices submitted to the Debtors by Morrison &
10 Foerster.

11 The Debtors understand and have agreed that Morrison & Foerster hereafter will apply to
12 the Court for allowances of compensation and reimbursement of expenses in accordance with the
13 applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Local Rules,
14 the *United States Bankruptcy Court Northern District of California Guidelines for Compensation*
15 *and Expense Reimbursement of Professionals and Trustees*, effective February 19, 2014 (the
16 “**Local Guidelines**”), the *U.S. Trustee Guidelines for Reviewing Applications for Compensation*
17 *and Reimbursement of Expenses Filed under 11 U.S.C. § 330 by Attorneys in Larger Chapter 11*
18 *Cases*, effective November 1, 2013 (the “**U.S. Trustee Guidelines**,” and together with the Local
19 Guidelines, the “**Fee Guidelines**”), and any further Orders of the Court (the “**Orders**”) for all
20 professional services performed and expenses incurred after the Petition Date.

21 Subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy
22 Local Rules, the Fee Guidelines, and the Orders, the Debtors propose to compensate Morrison &
23 Foerster for services rendered at the hourly rates in effect from time to time, as set forth in the Hill
24 Declarations and the Engagement Letter, and to reimburse Morrison & Foerster according to its
25 customary reimbursement policies. The Debtors respectfully submit that Morrison & Foerster’s
26 rates and policies stated in the Hill Declarations, which were approved by the Court in connection
27 with the Initial Retention Order, are reasonable and appropriate.
28

VII. NOTICE

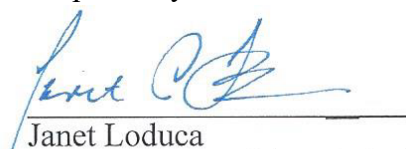
Notice of this Application will be provided to (i) the Office of the United States Trustee for Region 17 (Attn: James L. Snyder, Esq. and Timothy Laffredi, Esq.); (ii) counsel to the Creditors Committee; (iii) counsel to Tort Claimants Committee; (iv) the Securities and Exchange Commission; (v) the Internal Revenue Service; (vi) the Office of the California Attorney General; (vii) the California Public Utilities Commission; (viii) the Nuclear Regulatory Commission; (ix) the Federal Energy Regulatory Commission; (x) the Office of the United States Attorney for the Northern District of California; (xi) counsel for the agent under the Debtors' debtor in possession financing facility; and (xii) those persons who have formally appeared in these Chapter 11 Cases and requested service pursuant to Bankruptcy Rule 2002. The Debtors respectfully submit that no further notice is required.

No previous request for the relief sought herein has been made by the Debtors to this or any other Court.

WHEREFORE the Debtors respectfully request entry of an order (i) granting the relief requested herein as a sound exercise of the Debtors' business judgment and in the best interests of the Debtors, their estates, creditors, shareholders, and all parties in interest, and (ii) such other and further relief as the Court may deem just and appropriate.

Dated: December 2, 2019

Respectfully submitted,



Janet Loduca

Title: Senior Vice President and Interim
General Counsel